CITY OF WILLMAR

FINANCE COMMITTEE MEETING 4:45 PM, MONDAY, OCTOBER 31, 2016 CITY HALL CONFERENCE ROOM NO. 1

Chair:

Denis Anderson

Vice Chair: Members: Tim Johnson

Rick Fagerlie Shawn Mueske

AGENDA

- 1. Meeting Called to Order
- 2. Public Comment
- 3. Amend Ordinance No. 463 Rural Service District Land Designation (Motion)
- 4. Comprehensive Assessment Policy Section W: Agricultural Land Exemption (Information)
- 5. Adjourn





City Office Building 333 SW 6th Street Willmar, MN 56201 Main Number 320-214-5166 Fax Number 320-235-4917

COUNCIL ACTION REQUEST

DATE:

October 31, 2016

SUBJECT:

Amend Ordinance No. 463—An Ordinance Establishing Urban and Rural Service

Districts in the City of Willmar Under Authority of 1965 Session Laws, Chapter 712

RECOMMENDATION: It is respectfully recommended the City Council approve the following:

Have the City Attorney Robert Scott draft an Ordinance Amendment to amend the land areas included in Rural Service District.

BACKGROUND:

Ordinance No. 463 was approved August 13, 1966, designating certain areas of land in the Rural Service District. Since then, the City of Willmar has grown substantially and new areas are now eligible to be included in the District and others no longer qualify.

See attachments.

FINANCIAL CONSIDERATION:

LEGAL: Minnesota Statute 272.67

Department/Responsible Party: Judy Thompson, City Clerk

(B-6) of our

ORDINANCE NO. 463

An Ordinance Establishing Urban and Rural Service Districts in the City of Willmar Under Authority of 1965 Session Laws, Chapter 712

Be It Ordained by the City Council of the City of Willmar as follows:

Section 1. Area divided into districts.

Two districts are hereby established to be designated an "Urban Service District" and a "Rural Service District", constituting separate taxing districts for a purpose of levying all municipal property taxes except those levied for the payment of bonds and judgments and interest thereon.

Section 2. Urban Service District.

The Urban Service District shall include all property within the City of Willmar, except those set forth by Ordinance as Rural Service District.

Section 3. Rural Service District

The Rural Service District shall include only such unplatted lands as in the judgment of the City Council at the time of adoption of this Ordinance, are rural in character, and are not developed for commercial, industrial, or urban residential purposes and for these reasons are not benefited to the same degree as other lands by municipal services financed by reneral taxation. The Hural Service District shall include the following lands which may not be within the City limits, but which, if annexed, shall be included in the said Rural Service District.

- a) Section One (1), Township One Hundred Nineteen (119), Range Thirty-five (35).
- b) Section Two (2), Township One Hundred Nineteen (119), Range Thirty-five (35).
- c) South Half (5%) of Section Three (3), Township One Hundred Nineteen (119), Hange Thirty-five (35).
- d) Section Nine (9), Township One Hundred Nineteen (119), Range Thirty-five (35).
- e) Northwest Quarter (NWX) of Section Ten (10), Township One Hundred Nineteen (119) Range Thirty-five (35).
- f) Section Eleven (11), except the Southwest Quarter (SWM) thereof, Township One Hundred Nineteen (119), Mange Thirty-five (35).

- g) Section Twelve (12), Township One Hundred Nineteen (119), Range Thirty-five (35).
- h) Section Thirteen (13), except the Southeast Quarter (SEX) thereof, Township One Hundred Nineteen (119), Range Thirty-five (35).
- South Half of the South Half (S½ of the S½) and the Southerast Quarter (SΕ¼) of Section Fourteen (14), Township One Hundred Nineteen (119), Range Thirty-five (35).
- j) The Northwest Querter (NWX) of Section Sixteen (16), Township One Hundred Nineteen (119), Range Thirty five (35).
- k) Section Seventeen (17), Township One Hundred Nineteen (119), Range Thirty-five (35).
- 1) The East Half (E%) and the North Half of the North Half (N光 of the N光) of Section Twenty (20), Township One Hundred Nineteen (119), Range Thirty-five (35).
- m) Section Twenty-one (21), Township One Hundred Nineteen (119), Range Thirty-five (35).
- n) Section Twenty-two (22), except the Northeast Quarter (NE%) thereof, Township One Hundred Nineteen (119), Range Thirty-five (35).
- o) Section Twenty-three (23), except the Southeast Quarter (SE%) and also except the Westerly 473' thereof, Town-ship Dne Hundred Nineteen (119), Range Thirty-five (35).

<u>Section 4.</u> Transfer from Rural Service District to Urban Service District.

whenever any parcel of land included in the Rural Service District is platted in whole or in part; or whenever application is made for a permit for construction of a commercial, industrial, or residential or agriculture building or improvement; or such improvement commenced without a permit, the City Council shall make and enter an order by resolution, transferring such parcel or part thereof from the Rural Service District to the Urban Service District. No parcel shall be included in a Rural Service District of ten (10) acres or less and no parcel shall remain in a Rural District unless such parcel consists of ten (10) acres or more.

Section 5. Ratio of benefits.

The ratio which exists between the benefits resulting from tax supported municipal service to parcels in the Rural Service District

to parcels in the Urban Service District is fifteen (15%), plus any municipal property taxes levied for payment of bonds, and judgments with interest thereon.

Section 6. Ten Year Limitation.

Any parcel within a Rural Service District for ten years without development shall be considered by City Council for exclusion from Rural Service District. Such exclusion shall be made if the adjacent area is determined by the said Council to be substantially developed.

Section 7. Effective Date.

This Ordinance shall be in full force and effect following its publication.

This Ordinance given its first reading on house 15, 1966

This Ordinance given its second reading on 1814 6 1966

This Ordinance given its third reading on August 13.1966

This Ordinance published on August 13.1966

Ordinance No. 483

An Ordinance Amending Ordinance No. 463
Establishing Urban and Rural Service Districts
in the City of Willmar

Be It Ordained by the City Council of the City of Willmar as follows:

Section 1. Amendment of Ordinance No. 463 entitled An Ordinance Establishing Urban and Rural Service Districts in the City of Willmar. Ordinance No. 463 entitled An Ordinance Establishing Urban and Rural Service Districts in the City of Willmar under authority of 1965 Session laws, Chapter 712 is hereby amended by striking the term "15 (15 percent)" in Section 5 of said Ordinance, and inserting in its place "Estead, the term "1 (1 percent)."

Section 2. Effective date. This Ordinance shall be in full force and effect, after its publication.

This Ordinance given its first reading on 5-17-68

This Ordinance given its second reading on 5-15-68

This Ordinance given its third reading on May 31, 1968

SECTIONS TO POSSIBLY REMOVE/UPDATE FROM RURAL SERVICE DISTRICT

ltem

- (e) All developed
- (f) Include all of Section 11
- (h) Include all of 13
- (i) Include all of 14
- (I) Include all of 20
- (o) Include all of 23

SECTIONS TO POSSIBLY ADD TO RURAL SERVICE DISTRICT

TOWNSHIP 119 RANGE 35

SECTION 4

SECTION 8

SECTION 18

SECTION 19

SECTION 26

SECTION 27

TOWNSHIP 120 RANGE 35 (DOVRE TOWNSHIP)

SECTION 35

SECTION 36

TOWNSHIP 119 RANGE 36 (ST. JOHNS TOWNSHIP)

SECTION 11

SECTION 12

SECTION 13

SECTION 14

SECTION 23

SECTION 24

06.04 EXCEPTION RATES

Overview

Occasionally, exception rates may cause lower initial tax rates in some unique taxing areas than in others. This section describes some circumstances that could result in exception rates.

Rural and Urban Service Districts

Rural and urban service districts can be created by ordinance within a city under Minn. Stat. § 272.67. Service districts create separate taxing districts in the city for the purpose of property taxes, except for those levied for bonds and judgments and interest. Active rural and urban service districts cause tax rates to vary within a city. Properties within a rural service district do not benefit from municipal services to the same degree as properties within an urban service district, so the rural service district results in a lower tax rate.

Rural service districts are to include only un-platted lands that are rural in character and not developed for commercial, industrial or urban use. Urban service districts include all land that is not included in the rural service district. Platted parcels may also be included in a rural district if the governing body determines the land to be rural in character. Platted parcels included in a rural district should be reviewed annually to determine their continued eligibility. When property is developed, it must be transferred to the urban service district.

The governing body of the city establishes a benefit ratio for the rural service district, which is the city's estimate of the ratio that exists between the levels of tax supported city services in the rural service district to the level of tax supported city services in the urban service district. This benefit ratio should be reviewed annually by the governing body of the city.⁴

The recommended method for determining tax rates for urban and rural service districts is to:

- 1. Multiply the net tax capacity of the rural service district by the benefit ratio for the purpose of determining city tax rates for non-bonded debt purposes;
- 2. Multiply the benefit ratio by the urban service district tax rate for non-bonded debt purposes to determine the city tax rate for non-bonded debt purposes within the rural service district; and
- 3. Multiply this reduced city tax rate by the full net tax capacity of property within the rural service district.

The cut-off date for recognition and determination of benefit ratio in the current levy year is August 1.5



For bonded debt, the tax rates in both the rural and urban districts should be equal. The benefit ratio should not be used for bonded debt, unless special legislation has been written.

¹ Minn. Stat. § 272.67, subd. 2.

² Minn. Stat. § 272.67, subd. 8.

³ Minn. Stat. § 272.67, subd. 5,

⁴ Minn. Stat. § 272.67, subd. 2.

⁵ Minn. Stat. § 272.67, subd. 6.

Example 06.04-1: Initial Tax Rate Calculation for Cities with Urban and Rural Service Districts

This example is for a city in a non-fiscal disparity county or area. For a city in the one of the fiscal disparity areas, an adjusted levy would need to be determined by deducting the fiscal disparity distribution tax.

Calculations	Values
Certified Levy of City:	
Levy Excluding Bonded Debt	\$1,600,000
Bonded Debt Levy	\$400,000
Total City Levy	\$2,000,000
Net Tax Capacity of City:	
Urban Service District	\$8,000,000
Rural Service District	<u>\$4,000,000</u>
Total	\$12,000,000
Benefit Ratio for Rural Service District	25%
City Net Tax Capacity Used to Determine Rate for Levy Excluding Bonded Debt:	
Urban Service District [\$8,000,000 x 100%]	\$8,000,000
Rural Service District [\$4,000,000 x 25%]	\$1,000,000
Total	\$9,000,000
City Initial Rate Determination for Levy Excluding Bonded Debt:	
Urban Service District [\$1,600,000/\$9,000,000]	17.778%
Rural Service District [17.778% x 25%]	4.445%
City Bonded Debt Initial Tax Rate Determination:	
[\$400,000/\$12,000,000]	3.334%
Total City Initial Tax Rate for Urban Service District:	
Bonded Debt	3.334%
All Other Purposes	<u>17.778%</u>
Total .	21.112%
Total City Initial Tax Rate for Rural Service District:	
Bonded Debt	3.334%
All Other Purposes	<u>4.445%</u>
Total	7.779%
Tax Extension:	
Urban Service District [\$8,000,000 x .21112]	\$1688,960
Rural Service District [\$4,000,000 x .07779]	<u>\$311,160</u>
Total	\$2,000,120

Subordinate Service Districts and Special Service Districts

Subordinate service districts may exist in counties and towns under <u>Chapters 375B</u> and <u>365A of the Minnesota Statutes</u>, respectively. The districts are portions of a county or town that receive one or more services or an increased level of service(s) that are not provided in the remainder of the county or town. ⁶ The additional or increased level of service may be financed by a property tax levy imposed on the users of the service within the subordinate service district, by a service charge imposed on the users of the service within the subordinate service district, or by a combination of property tax and service charge

⁶ Minn. Stat. §§ 375B.02; 365A.02.



City Finance Department

City Office Building 333 SW 6th Street Willmar, MN 56201 Main Number 320-235-4984 Fax Number 320-235-4917

COUNCIL ACTION REQUEST

DATE:

Monday, October 31, 2016

SUBJECT:

Comprehensive Assessment Policy Section W: Agricultural Land Exemption

RECOMMENDATION: Review section per City Council directive.

BACKGROUND: Per City Council directive, review Agricultural Land Exemption Policy which addresses Special

Assessments as it relates to Agricultural Land within the City limits.

FINANCIAL CONSIDERATION: Unknown

LEGAL: Chapter 429

Department/Responsible Party: Finance Department/Finance Director Okins

W. AGRICULTURAL LAND EXEMPTIONS

It shall be the policy of the City to temporarily exempt from assessments certain lands currently used for agricultural purposes. Granting an approval for agricultural exemption, the Council shall consider the following: the likelihood of the property being developed in the reasonably foreseeable future, the current use of the property, the ownership/management structure of the property, the size of the property, and other factors deemed pertinent.

Real estate consisting of five (5) acres or more shall be eligible for the assessment exemption if it is actively and exclusively devoted to agricultural use as defined hereinafter, and either:

- 1. is the homestead or thereafter becomes the homestead of a surviving spouse, child, or sibling of the said owner, or is real estate which is farmed with the real estate which contains the homestead property; or
- 2. has been in possession of the applicant, his or her spouse, parent, or sibling, or any combination thereof, for a period of at least seven (7) years prior to application; or
- 3. is the homestead of a shareholder in a family farm operation. Family farm corporation for the purpose of this section means a corporation founded for the purpose of farming and owning agricultural land in which all of the stockholders are related and members of a family.

Real property shall be considered to be in agricultural use provided that it is devoted by the owner of said real property to the raising of crops, forage, produce, fruits, or horticulture/nursery stock, or the production of livestock/poultry or livestock/poultry products. Real property which is enrolled in a government conservation or set-aside program shall also be considered to be in agricultural use. Slough, wasteland, and woodland contiguous to or surrounded by those lands above-described shall be considered to be in agricultural use if under the same ownership and management.

In all cases, the temporary exemption shall be deemed to have expired at such time as the property is platted and/or developed. For sewer and water projects, a tapping fee shall be charged at the time of connection or when the final plat is approved. These tapping fees shall be based on the project year bid price per front foot or unit, or on the current year costs at the time of connection/platting, whichever is greater. For street projects, assessments will be charged when the property is developed or when the final plat is approved. These assessments shall be based on the project year bid price per front foot or unit, or on the current costs at the time of development/platting, whichever is greater. Useful life shall not be considered in the calculations.

X. AGRICULTURAL LAND DEFERMENTS

It shall be the policy of the City to defer assessments against those lands which qualify for deferment under the Minnesota Agricultural Property Tax Law ("Green Acres" Law), M.S. 273.111, as amended.

RESOLUTION NO. 2

WHEREAS, the City Council of the City of Willmar, Minnesota, did order the installation of certain street and other improvements made under Projects No. 0501, 8606, 9101, 1404, and 1601, and certain sewer and watermain improvements made under Projects No. 9701, 9303, 9202, and 9002.

WHEREAS, Section W of the City of Willmar Comprehensive Assessment Policy allows the City to temporarily exempt from assessments certain lands currently used for agriculture purposes; and

WHEREAS, certain property owners have made application to the City for delayed payment of taxes on special assessments and have met the criteria contained in the Comprehensive Assessment Policy for said deferment:

NOW, THEREFORE, BE IT RESOLVED by the Willmar City Council that special assessments as hereinafter designated be certified to the County and deferred until such property is developed or upon approval of the final plat, and that no interest be charged until such time.

BE IT FURTHER RESOLVED that upon development or plat approval that tapping fee shall be based on the project year bid price per front foot or unit, or on the current year costs at the time of connection/platting, whichever is greater:

1.	Hawkinson Land, LLC	95-924-0020		
	7340 26th Street NE	Project 9202	\$13,005.00	
	Willmar	Project 9101	51,455.70	
		Project 9002	35,340.00	
		Project 0501	61,137.01	

Section 24, Township 119, Range 35

That part of Northwest Quarter of Northwest Quarter lying Northwesterly of Highway right-of way, except the South 125 feet of North 175 feet of West 133 feet & except part platted into Kandiyohi County State Aid Highway No. 23 right-of-way Plat No.1. (26.40 acres)

2.	Gesch Properties LLC c/o LeAnn Isaacson	95-914-2610	
	10785 46 th Place N	Project 9002	\$39,731.66
	Plymouth	Project 9303	20,130.42
		Project 0501	77,504.80
		Project 1404	180,688.13

Section 14, Township 119, Range 35

South 610 feet of Northeast Quarter except West 393.61 feet; Southeast Quarter except South 914.88 feet of West 1085 feet and except parts in plats-Bergquists Estates, Perkins Fifth Addition and Gesch Park except that part of the South Half of Northeast Quarter described as follows: Commencing 715 feet South and 393.61 feet East of Northwest Corner of Southwest Quarter Northeast Quarter, Thence East to Southwest Corner of Lot 7, Block 7 Erickson's Third Addition, Thence South 70 feet, Thence West to East Line of Welch's Addition, Thence North 70 feet to point of beginning and except part platted into Gesch YMCA Addition and except that part of the South Half of the Southeast Quarter described as follows: Beginning at the Northwest Corner of Lot 2, Block 1, Gesch YMCA Addition, Thence South 548.78 feet, Thence West 363.89 feet, Thence North 54 feet to Southeast Corner of Lot 1, Block 6, Perkins Fifth Addition, Thence continuing North 495 feet to Northeast Corner of Lot 1, Block 4, Perkins Fifth Addition, Thence East along Southerly right-of-way boundary line of Olena Avenue 363.89 feet to point of beginning; except part platted into City of Willmar 12th Street Southeast right-of-way plat. (87.23 acres)

3. Jean Langsjoen-Hogan Trust and Carter Family 1950 E Welco St. Peter 95-903-0010

Project 0501

\$93,012.00

Section 3, Township 119, Range 35

Southeast Quarter of Southwest Quarter and Southwest Quarter of Southwest Quarter except the Southerly 350 feet of the Westerly 233 feet of Southwest Quarter of Southwest Quarter and except parts platted as Northwood Estates and Northwood Estates Second Addition; and also except that permanent utility easement described as follows: That part of the Southwest Quarter of the Southwest Quarter described as follows: Commencing at Southwest Corner of said Southwest Quarter of the Southwest Quarter, Thence East 844.61 feet, Thence North 108.96 feet to North right-of-way line of North Shore Way, said point being point of beginning of tract herein described, Thence Northwesterly 50 feet, Thence Northeasterly 100 feet, Thence Southwesterly 50 feet to North right-of-way line of North Shore Way, Thence Southwesterly 100 feet to point of beginning. (64.13 acres)

4. Bernard Revocable Trust Etal c/o William Bernard 100 Promenade Ave, Apt 406

Project 9701

95-912-0970

\$12,119.04

100 Promenade Ave, Apt 40 Wayzata

Section 12, Township 119, Range 35 North 1,655 feet of Northwest Quarter except the West 40 acres thereof. (60 acres)

5. J & C Enterprises of Central MN

c/o Stephen Jennings

Project 8606

\$17,869.51

PO Box 639 Richmond

Hidden Valley Estates

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95-308-0010
               Sect-08 TWP -119 Rang-35 Lot-001 Blk-001
95-308-0020
               Sect-08 TWP -119 Rang-35 Lot-002 Blk-001
95-308-0030
               Sect-08 TWP -119 Rang-35 Lot-003 Blk-001
95-308-0040
               Sect-08 TWP -119 Rang-35 Lot-004 Blk-001
               Sect-08 TWP -119 Rang-35 Lot-005 Blk-001
95-308-0050
               Sect-08 TWP -119 Rang-35 Lot-006 Blk-001
95-308-0060
95-308-0070
               Sect-08 TWP -119 Rang-35 Lot-007 Blk-001
95-308-0080
               Sect-08 TWP -119 Rang-35 Lot-008 Blk-001
95-308-0090
               Sect-08 TWP -119 Rang-35 Lot-009 Blk-001
               Sect-08 TWP -119 Rang-35 Lot-010 Blk-001
95-308-0100
95-308-0110
               Sect-08 TWP -119 Rang-35 Lot-011 Blk-001
95-308-0120
               Sect-08 TWP -119 Rang-35 Lot-012 Blk-001
               Sect-08 TWP -119 Rang-35 Lot-013 Blk-001
95-308-0130
95-308-0140
               Sect-08 TWP -119 Rang-35 Lot-014 Blk-001
               Sect-08 TWP -119 Rang-35 Lot-015 Blk-001
95-308-0150
               Sect-08 TWP -119 Rang-35 Lot-016 Blk-001
95-308-0160
               Sect-08 TWP -119 Rang-35 Lot-017 Blk-001
95-308-0170
95-308-0200
               Sect-08 TWP -119 Rang-35 Lot-001 Blk-002
95-308-0210
               Sect-08 TWP -119 Rang-35 Lot-002 Blk-002
95-308-0220
               Sect-08 TWP -119 Rang-35 Lot-003 Blk-002
95-308-0230
               Sect-08 TWP -119 Rang-35 Lot-004 Blk-002
95-308-0300
               Sect-08 TWP -119 Rang-35 Lot-001 Blk-003
               Sect-08 TWP -119 Rang-35 Lot-002 Blk-003
95-308-0310
               Sect-08 TWP -119 Rang-35 Lot-003 Blk-003
95-308-0320
               Sect-08 TWP -119 Rang-35 Lot-004 Blk-003
95-308-0330
               Sect-08 TWP -119 Rang-35 Lot-005 Blk-003
95-308-0340
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95-308-0350	Sect-08	TWP -119	Rang-35	Lot-006 Blk-003
95-308-0360	Sect-08	TWP -119	Rang-35	Lot-007 Blk-003
95-308-0370	Sect-08	TWP -119	Rang-35	Lot-008 Blk-003
95-308-0380	Sect-08	TWP -119	Rang-35	Lot-009 Blk-003
95-308-0390	Sect-08	TWP -119	Rang-35	Lot-010 Blk-003
95-308-0400	Sect-08	TWP -119	Rang-35	Lot-001 Blk-004
95-308-0410	Sect-08	TWP -119	Rang-35	Lot-002 Blk-004
95-308-0420	Sect-08	TWP-119	Rang-35	Lot-003 Blk-004
95-308-0430	Sect-08	TWP -119	Rang-35	Lot-004 Blk-004
95-308-0500	Sect-08	TWP -119	Rang-35	Lot-001 Blk-005
95-308-0510	Sect-08	TWP -119	Rang-35	Lot-002 Blk-005
95-308-0520	Sect-08	TWP -119	Rang-35	Lot-003 Blk-005
95-308-0530	Sect-08	TWP -119	Rang-35	Lot-004 Blk-005
95-308-0540	Sect-08	TWP -119	Rang-35	Lot-005 Blk-005
95-308-0550	Sect-08	TWP-119	Rang-35	Lot-006 Blk-005

6. Erickson Land Company of Willmar,

95-912-0950

PO Box 628

Willmar, MN 56201

Project 1601

\$26,156.80

SECT-12 TWP-119 RANG-35

That part of the West Half of Northwest Quarter described as follows: Commencing at the Northwest corner of said Section 12, Thence South 977.23 feet to point of beginning of tract herein described, Thence East 113.15 feet, Thence Northeasterly 120.30 feet, Thence Northeasterly 138.50 feet, Thence Southeasterly 196.87 feet, Thence Southeasterly 318.20 feet, Thence Southwesterly 15.49 feet, Thence Southeasterly 149.81 feet, Thence Southeasterly 153.04 feet, Thence Easterly 193.16 feet to East line of West 40 acres of North 1655 feet of said Northwest Quarter, Thence South 389.82 feet to South line of North 1655 feet of said Northwest Quarter, Thence West 1053 feet to West line of said Section 12, Thence North 677.77 feet to point of beginning, Except that part platted as Trentwood Estates Third Addition.(14.11 acres)

Dated this 17th day of October, 2016.

Mayor

Attest:

Interim City Administrator